

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 15, 2010
POSITION: Neutral

BILL NUMBER: AB 2703
AUTHOR: J. Perez

BILL SUMMARY: Letter of No Prejudice

This bill would authorize an eligible regional or local agency to apply to the California Transportation Commission (CTC) for a letter of no prejudice relating to projects to be funded from the \$950 million allocated to eligible regional or local agencies under Proposition 1A, the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century.

FISCAL SUMMARY

The CTC has indicated that it would have minor and absorbable costs for creating and tracking regional and local agency letters of no prejudice. This bill could result in lower costs for local projects because agencies could take advantage of the current decrease in construction costs by being able to start projects sooner than if they waited for the funding to be available.

Letters of no prejudice could only be issued if there is an appropriation against which payment could be charged, thus providing budgetary control. Normally, if funds are budgeted, it is with the expectation that bonds can be sold and expenditures funded with cash, thus there would be no need for letters of no prejudice. But we also recognize that due to bond market or state credit conditions, timely bond sales may not always be achievable.

COMMENTS

Existing law with respect to Proposition 1B, which is a bond act for transportation and related purposes, authorizes a regional or local agency to apply for a letter of no prejudice that makes the agency eligible to expend its funds for a project and to be subsequently reimbursed when bond funds become available. This bill would allow regional or local agencies to expend their funds for eligible projects and be reimbursed when Proposition 1A bond funds become available.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Fund Code
2660/Caltrans		SO	No	----- See Fiscal Summary -----						0890
<u>Fund Code</u>	<u>Title</u>									
0890	Trust Fund, Federal									

Analyst/Principal (0752) J. Parks	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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